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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-214443

APRIL 13, 1984

The Honorable Stephen L. Neal, Chairman
Subcommittee on International Trade
Investment and Monetary Policy
Committee on Banking, Finance and
Urban Affairs
House of Representatives

Dear Mr. Chairman:

Subject: Eximbank Financing Support for Exports of
Defense-related Products (GAO/NSIAD-84-66)

In response to your June 20, 1983, request and subsequent discussion with your office, we reviewed Export-Import Bank of the United States (Eximbank) financing of exports of defense-related equipment.

As you know, Eximbank provides loan, loan guarantee, and insurance programs to supplement and facilitate private sector financing of U.S. exports. Although Eximbank is prohibited by law from financing military sales to developing countries, it does support defense-related sales when there is a civilian or commercial use. (See enc. I.)

U.S. exporting firms we contacted assert that there is a lack of competitive financing available to promote exports of military and defense-related products for certain developing countries. However, these firms could not document specific cases showing that the lack of Eximbank financing was causing lost sales. In fact, a number of sources mentioned that they would be very surprised if we were able to identify such a case since the problem with defense-related, dual-use items is that other factors besides financing availability often intervene in the export process.

Regarding our foreign competitors' export programs, except for Japan, credit agencies in major competitor nations do not have legal restrictions on financing military sales similar to those imposed on Eximbank.

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As described in this report, defense-related products are either items purchased by military buyers or military or "dual use" items purchased by commercial or government buyers. This covers a wide range of products, including aircraft, hospital equipment, trucks, electronic equipment, jeeps, boats, electric equipment, machine tools, and construction equipment.

In our survey, we spoke with officials of Eximbank; the Departments of the Treasury, State, Commerce, and Defense, and the U.S. Trade Representative. We also held discussions with 15 U.S. exporting companies and trade associations and with the Washington representative of the Export-Import Bank of Japan. We reviewed the House and Senate 1983 hearings on reauthorizing Eximbank authority and the subsequent legislation passed by the Congress.

We did not examine the major U.S. government program for financing military products--the Foreign Military Sales program. This program is based on a country-by-country determination of mutual security objectives which was beyond the scope of our survey.

This report also does not include a comparative review of the major foreign programs for financing defense-related equipment, because, as we explained to your staff, little information was available on this subject from the U.S. government agencies or private industry groups we contacted. This reason also precludes us from responding to your request that GAO suggest a series of options that Congress might consider to help disadvantaged U.S. suppliers compete with foreign producers.

We did not obtain official comments on these matters from Eximbank or other U.S. government agencies because of the informational and non-critical nature of our findings. However, we went over a draft of the report with Eximbank officials and their comments were considered in preparing the final report.

At the time this report is issued we will send copies to interested parties and will make copies available to others upon request.

Sincerely yours,



Frank C. Conahan
Director

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